

# **Integrating sustainable development into public sector procurement: The case of local government buying in the United Kingdom**

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## **Abstract**

*Against the headway sustainable development has made in industry, this paper examines what progress the practice has made in other areas of economic activity, particularly in government buying. Case study evidence of local government procurement in the United Kingdom reveals a range of activities that address both the environmental and social sides of sustainability. In terms of environmental initiatives, local government is replacing some hazardous materials in the goods and services it buys as well as disseminating information on environmental issues in procurement. On the social side, local authorities are increasingly contracting with social enterprises and voluntary sector organisations; an emphasis on working with local companies is also visible. However, a number of gaps in addressing sustainability through local government procurement remain too. Not least, a lack of a strategic direction is noticeable in many authorities, as is a lack of an international exchange of ideas and experiences.*

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### **Introduction**

Over the last decades sustainable development has made some headway in industry, where many manufacturing companies today take a range of measures to reduce the environmental impact of their operations (Sarkis, 2001). The impact of organisations in other sectors has, however, been researched less systematically. Hence this paper will focus on the role of the public sector in bringing about sustainability, in particular on the procurement function in local government. Across OECD member countries spending by the various levels of government accounts for eight to 25 per cent of GDP (OECD, 2000). Government buying decisions can thus have huge environmental and social implications, and these apply not only to the first tier of suppliers but can reach further along the chain and even into the supply chains of other customers (Preuss, 2005). Addressing sustainability through governmental procurement is also important in terms of setting an example for other organisations as well as creating markets (Erdmenger, 2003). Government buying might thus be able to create sufficient demand for an environmentally friendlier product that otherwise would remain commercially unviable.

This article will study one segment of government buying, namely procurement by local government authorities in the United Kingdom, who spend some £40 billion each year on goods and services. They are furthermore responsible for providing a range of services, many of which have direct implications for the sustainable development of their area, such as economic regeneration or waste disposal. The article will enquire what contribution local government can make, through its procurement, to fostering sustainable development. This includes environmental aspects of sustainable development, but also social ones, such as working with voluntary organisations as partners in the provision of services. Last but not least, the focus on local government also takes notice of the spatial dimension of sustainable development.

The remainder of the article is structured as follows. It begins with a section outlining the importance of local government procurement in terms of both economic importance and contribution to sustainable development. The data for the article are generated by way of a qualitative study, the details of which are outlined in a methodology section. Then the empirical findings are presented and the relevance of the results discussed. Finally conclusions for sustainability and environmental management are drawn as well limitations of the study discussed.

### **The importance of local government procurement**

As in most industrialised countries, government in the United Kingdom is exercised through a multi-layered system. Central government, headed by the Prime Minister, creates a framework, which is filled by local government. In the case of the UK, the latter is made up of a total of 468 local authorities, which generally speaking operate in a multi-tier system with some services being provided at the overarching county council level and some at district council level within the county. There are, however, also parts of the country where,

for various political and historical reasons, only one level of local authority exists, such as the metropolitan and unitary areas in England as well as Scotland, Wales and Northern Ireland in their entirety (Byrne, 2000).

Local government is elected by the residents of an area, hence it is argued that its politicians are closer to the people than national government is (Chandler, 2001). Local authorities are responsible for the provision of a number of services, including education, social services, consumer protection and leisure facilities. Many of these services have direct implications for the sustainable development of their area, such as economic development, spatial planning or waste disposal. Their cost is met by taxation of local residents and businesses as well as by financial support from central government (Midwinter and Carmichael, 2002). Although subordinated to the authority of central government, and ultimately parliament, local government has a fair degree of independence (Stewart, 2000). Individual local authorities, for example, pioneered major innovations in the area of sustainable development, such as social housing, free birth control or recycling of glass and plastic bottles, many of which were later adopted nationally (Byrne, 2000).

Procurement by local government authorities can make a significant contribution to sustainable development. Such an impact arises first and foremost from the scale of its spending. Local government in the UK spends £40 billion each year on procured goods and services, and this is higher than the £13 billion spent by central government (Secretary of State for Environment, Food and Rural Affairs, 2005). At the same time, local government spending is fragmented in a twofold sense. Geographically there is the division into the individual local authorities, which may or may not aggregate their spending with neighbouring authorities. Local government spending is further fragmented, since major parts of their budget are allocated to officers in specific departments, such as education or social services, rather than a central procurement unit. Some of the smaller authorities even find it difficult to justify creating a procurement manager post in the first place. The decentralisation is evident in the following description from a London Borough (LB5):

Years ago local authorities used to have quite corporate purchasing structures and then they became very devolved. [LB5] used to have, as far as I know, at one point it had over fifteen different departments all purchasing whatever they wanted to purchase. And then [LB5] re-structured, so now there are much fewer departments. And it's also trying to recentralise its purchasing, so in order to do that we've got a procurement board with lead purchasers from each department, and the procurement board acts as a gatekeeper.

Local government in the UK has seen substantial political pressure over the last three decades to demonstrate greater efficiency of its procurement. This was to be achieved first by compulsory competitive tendering of selected services, introduced by the Conservative government of Margaret Thatcher in the 1988 Local Government Act (Parker, 1990; Boyne, 1998). Then, the 1995 White Paper *Setting New Standards* (HM Treasury, 1995) under the Conservative government of John Major introduced a less radical approach that sought to develop more collaboration across departments as well as longer-term supply relationships (Erridge and Greer, 2002). The one-sided focus on efficiency was somewhat further relaxed with the introduction of 'well-being powers' for local authorities under the 2000 Local Government Act (Bennett et al., 2004), which was passed by the Labour government under

Tony Blair. While the rigidity of the central government approach has softened, greater efficiency is still one of the key themes today, for example of the Gershon Report *Releasing resources to the front line* (Gershon, 2004).

Given its important economic role and the nature of the services it is responsible for, the research question this article will address is what initiatives local government in the UK undertakes to take account of the sustainability impacts of its buying decisions. This will include both the environmental and the social aspects of sustainable development. The focus on a specific administrative region also results in a more localised approach to issues of sustainable development.

## **Methodology**

The literature on local government procurement is rather scant, and this applies in particular to environmental challenges in local authority buying. Hence a theory-building rather than theory-testing approach has been chosen for this study (Glaser and Strauss, 1967; Gergen, 1999). Given the explorational nature of the study and the limited amount of prior knowledge, the case study was selected as the most suitable research method (Brewerton and Millward, 2001; Yin, 2002). Data were collected by semi-structured interview, which allows comparability of results but also leaves room for respondents to give their personal explanations (Yin, 2002). To enhance the validity and reliability of the findings, the interview data were complemented with data from other sources of evidence, such as interviews with additional respondents, internal publications like procurement policy documents, and external documents, including evaluation reports by the Office of the Deputy Prime Minister, ODPM.

Data gathering was undertaken in three stages. During a pilot stage in Autumn 2005 interviews were held at four local authorities. Here the aim for the researcher was to familiarise himself with the procurement process and to get an initial overview over environmental issues in local government procurement. The second stage of the study consisted of a benchmarking exercise, where four semi-structured interviews were conducted with organisations that have an overview over local government procurement in the UK, i.e. ODPM, the Improvement and Development Agency, IDeA, and two Regional Centres for Excellence in Procurement. These interviews resulted in a shortlist of 16 local government authorities that were judged to be leaders in one or more aspects of integrating sustainable development issues into their procurement. These 16 authorities were then interviewed in the third stage of the study, which began in January 2006.

Given the different legal situation in Scotland, Wales and Northern Ireland, the study was limited to local government in England alone, which accounts for 410 of the 468 authorities in the UK. The individual case studies were anonymised by numbering them in order of interview date (e.g. DC1 = District Council number one; CC1 = County Council number one; LB1 = London Borough number one). Interviews were generally held with a single respondent, except for three case where two members of the procurement team with responsibility for different aspects of sustainable development were interviewed together. The interviews lasted between one and two hours and were conducted on local authority premises, with the exception of one telephone interview. The interviews were taped and later

transcribed. A copy of the interview transcript was sent to each respondent for comments and potential clarification.

The data analysis used a three-stage method suggested by Eisenhardt (1989) and Miles and Huberman (1994) for building theory from case study data. First, a detailed case study write-up was produced after each field visit to allow data analysis within each case. In the second stage, cross-case patterns were developed by examining the data from many diverging angles. A separate data base was created to rearrange the data in a cross-case, variable-by-variable format. The relative rigidity of the variables as the new ordering principle reduced the danger of being overly influenced by vivid data or unconsciously dropping non-conforming evidence. In the third stage hypotheses were developed. The emerging relationships were finally verified by checking them against the original data.

### **Environmental initiatives in local government buying**

Local government authorities in the United Kingdom have undertaken a range of measures to address the implications of their procurement decisions for sustainable development. These will initially be discussed under the two separate headings of environmental and social aspects of sustainability, before more general conclusions on the role of local government procurement in sustainable development will be offered.

Environmental initiatives in local government procurement begin with efforts to reduce the environmental effect of bought goods and services by switching to less environmentally damaging alternatives. Some of the examples for such changes are well-known today, like the use of recycling paper. At one district council (DC2) the procurement manager was at the time of interview planning a revision of the photocopying and printing contract over the following two years. He anticipated that a new contract could deliver strong financial benefits as well as an environmental benefit from having fewer and larger printers rather than a proliferation of desk-top printers:

It is the financial argument that will be the main driver, the environmental one will be very much a secondary argument.

However, recycled paper is not used consistently across local authorities. The procurement manager of another district council (DC1) commented on recent price movements in the paper market. The price for recycled paper used to be roughly the same as virgin paper, but due to new suppliers, e.g. from South East Asia, coming on stream, the price his supplier charges for virgin paper is today almost 20% lower than that of recycled paper and the price difference does not allow him to switch to recycled paper.

A similar situation exists for office consumables, where some authorities use, for example, recycled printer cartridges. However, here too other procurement managers cited strong arguments why these could not be used (e.g. DC1). Recycled cartridges have the problem that the suppliers of the printers, such as Hewlett-Packard, will no longer support the printing and photo-copying machines if non-proprietary cartridges are used. Hence the council cannot risk losing support for the more expensive machines, yet recycled cartridges may be used for cheaper personal printers.

Another area where improvements could be made is IT equipment. At one district council (DC2) many employees leave their PCs switched on over night, as the machines take a lot of time to start up in the morning. The procurement manager is aware of this situation and aims to reduce energy consumption by talking to the computing department to improve boot-up time. Another avenue is to address energy consumption in the specifications for new equipment. This needs to be done early in the contract design as a London borough (LB5) realised:

PCs is a bit of a difficult one, because we actually are in a contract for all our IT with Cap Gemini, who are our provider, and that includes the equipment itself. The problem is that the Cap Gemini contract began a number of years ago, so that was before we were really looking at this. If we knew that Cap Gemini were going to be purchasing a large number of new computers then obviously we would work with them and ask them to specify energy efficient computers, but it is not an item that we would directly purchase.

Another environmental issue concerns timber and wood, where one London borough developed a clear policy on the use of timber in construction (LB1):

Its pretty short and sweet, it basically says that if you don't want to buy from environmentally sustainable sources or you want to use tropical hardwood then you need permission to do so. In other words, it has to be on an exception basis.

At this local authority timber and wood products have to conform to the FSC standard. Adherence to the standard was difficult in the early days of the scheme, when the number of certified suppliers and products was low, but today this no longer presents a problem.

Some authorities have sought to address the issue of PVC, which occurs, for example, in windows for new or refurbished buildings (LB5):

We wanted to move to only specifying FSC timber window frames as part of our window replacement programme, but there's still too much concern in the industry about using timber framed windows. So at the moment the Contract Managers want to go with carrying on using UPVC, [but] as the technology improves, obviously we can give more evidence than that will bring about change.

Initiatives were reported around vehicles and fuel too. One London borough (LB1) introduced bio-diesel more or less throughout its entire fleet of vehicles. Initially the older vehicles would not work well on the alternative fuel, but most of them have since been replaced. A related issue here is the price of alternative fuels, which can be reduced by using purchasing consortia for a number of local authorities:

The issue is generally, green fuel can be a bit more expensive, so it comes back to this issue again: Are we willing to pay more? And I would say generally we are not willing to pay more.

Energy consumption of office buildings was addressed in a number of local authorities. One London borough (LB2) has recently begun to monitor its energy usage. It outsourced its

office management, but the specifications for the new building maintenance contract now include a requirement to have an energy manager, whose job it is to reduce the council's energy consumption. During the refurbishment of one of the office buildings lights were introduced that are sensitive to movement and switch themselves off automatically.

By stressing the fact that energy prices have gone up so significantly, we are trying to change people's mindsets. I think it is quite easy for people to think that energy doesn't cost that much. It is only starting now, more people are talking about it at work, because their bills at home are going up.

A number of local authorities also reported efforts to utilise environmentally friendlier forms of energy. A district council (DC5) decided to work with a private supplier to produce green energy for the city, which was approved by the councillors even though it is somewhat more expensive. One of the London boroughs (LB5) went further and introduced energy requirements into its planning policy:

[LB5] is one of the few Local Authorities with a planning policy that states that major developments have to produce 10% of their energy from on-site renewables.

In addition to avoiding environmentally hazardous materials in their buying of products and services, local government authorities also address environmental issues by disseminating environment-related information. This begins with drawing up an environmental procurement policy. For example, the policy of a London borough (LB5) states:

The Council will use its purchasing power to promote environmental sustainability when choosing products and when contracting services.

The council also drew up an environmental procurement guide, which contains advice on what issues to consider in the buying of products and services, ranging from stationery and pens through office equipment and electrical appliances to catering and cleaning services. Another London borough recently included a section on sustainable procurement in its procurement handbook (LB1):

Having said that, the sustainable procurement element in the handbook is not hugely extensive. This is deliberate. One, because it has to be realistic about what people can deliver at any point in time, but also if it was 30 pages thick, it wouldn't get read.

Such a an indirect approach is particularly appropriate given the decentralised nature of local government procurement (LB4):

I have always taken a strategic approach to the work that I have done on sustainable procurement. That has been very much about developing guidance and strategies and policies, providing training to the departments, developing standard tools and techniques where appropriate, but not doing anything that is separate to the procurement process.

The borough furthermore provided training on environmental issues in procurement for procurement staff across the entire organisation. A number of local government authorities

also sought certification to ISO 14001, or in some cases also to EMAS, to demonstrate their commitment to environmental issues. In a few cases, the local authority was able to address environmental issues by eliminating the need for a purchase in the first place, as demonstrated by a London borough (LB5) in the management of its leased fleet:

As the vehicles reach the end of their working life, we will do an assessment about: do we actually need that vehicle, could we not re-plan our routes so that as well as taking this group of children to school, we could also drop off this item of stationery here? So that should mean that we end up with fewer vehicles and less mileage.

Local government authorities in the UK address environmental issues in their buying in a number of ways. They are replacing harmful goods with environmentally friendlier ones, such as using recycled instead of virgin paper or insisting on FSC certification for forestry products. The same applies to procured services, where better planning of vehicle routing can lead to lower fuel consumption. It is, however, also noticeably that such substitution efforts often carry cost implications, and most local authority are not even prepared to pay an only marginally higher price. This emphasis on not incurring higher costs is partly the result of the efficiency agenda imposed by central government and posits strict boundaries for addressing sustainability through procurement.

In addition to directly addressing environmental hazards, procurement is also involved in more indirect activities, like promoting environmental know-how across the local authority. This aspect of its work is the more relevant, since local government procurement is fragmented among a multitude of buyers in different departments within the local council and procurement staff in these are likely to have different levels of commercial skills as well as environmental knowledge. Having examined environmental challenges, the paper will now move to studying social aspects of sustainable development.

### **Social aspects of sustainability in local government buying**

A first area of local government procurement that addresses social aspects of sustainability concerns working with local companies, in particular small and medium-sized enterprises. The procurement policy of a district council in the North of England (DC4, Corporate Procurement Strategy 2005, page 3) is explicit about this aim as its procurement

seeks to balance two priorities: delivering efficiencies and quality [and] socially responsible procurement; engaging with local and regional suppliers to promote the local economy and taking account of the social and environmental impact of spending decisions.

Initiatives to work closer with local companies include both demand and supply-side initiatives. In terms of making demand more transparent, a district council in the South East of England (DC3) designed a business portal on the internet to enable SMEs to register and express an interest in bidding for certain council contracts. The existence of the portal is no guarantee that local SMEs will become council suppliers, but it probably increases the likelihood that they will bid for council contracts in the first place. The electronic portal also enables the council to analyse their level of success. The rationale for such measures is clear (DC3):



In terms of small and medium enterprises, we believe it's good for our local economy, because of the multiplier effect, but they are also more likely to use local labour.

On the supply side, one London borough (LB3) ran an innovative project for local companies, which was part-financed by the European Regional Development Fund. The project aimed to enhance the skills and capacity of local SMEs to tender for and secure public sector procurement contracts. The project began by establishing a database of local companies that are interested in supplying goods or services to the public sector. Through the duration of the project over 1,100 local businesses were logged. The Council also set up a website to communicate upcoming public procurement opportunities to interested suppliers. Then the project proceeded to giving assistance to local companies in the form of one-to-one consultancy sessions, workshops and networking events. These were either general guidance sessions, for example on the nature of public procurement and the tendering procedures used, or more technical support, such as help with completing tender documentation. This support was given to several hundred local businesses. A final aspect of the project was the preparation of distance learning workbooks for topics ranging from the preparation of tender documentation to health and safety issues.

Apart from providing information to local companies, local government authorities have also pursued specific strategies to increase the number of local companies in their supply chains. One such strategy seeks to ensure that large first-tier contractors to the council make use of local companies as their sub-contractors. The procurement manager of a London borough (LB3) explained:

One of the key aspects of our using big contracts and frameworks is actually trying to make sure that if there is a shift, i.e. if we have a major kind of outsourcing to something we might have managed before with a number of smaller contractors, that those smaller contractors can be placed into the supply chain of these major contractors. And that is a critical part of our work to be in terms of the sustainability agenda.

When negotiating the contract that is going to supply the council with the several thousand agency staff it needs, the procurement manager expects the successful employment agency "to work with quite a number of the people that we worked with directly in the past." Some councils have formalised such agreements with key suppliers. For example, another London borough (LB4) drew up a voluntary code under which construction suppliers agree to provide a certain number of apprenticeships:

It is around providing training and apprenticeships and employment for local people through construction contracts. We have tried the principles of the code in one of our housing departments, where we included a number of clauses in the contract around appointing local people and providing training through those contracts. ... That has been running for the last 18 months, and what we are hoping to do now is to get corporate agreement for this code of practice and ... take it into different departments.

In addition to supporting local companies, councils also increasingly source from the voluntary sector and from social enterprises. However, such a wider range of suppliers also throws up additional challenges for local government procurement managers (DC5):

We recently tendered for someone to take over our swimming lessons, something we had run [in-house] in the past. And although we had a well known business who tendered to do it, we actually awarded to a local swimming club, whose prime aim is to develop swimming in [DC5]. And they won it both on price and quality. The difference is when you award a contract to that kind of organisation, because of their limited professional mode in terms of how they operate, ... rather than straightforward normal contract monitoring it runs a little bit into support. ... Although it is still a contract, you have to think about things differently and help them to gear up.

The local authorities in the sample also reported a growing reliance on social enterprises. A district council (DC4) contracts with a number of social enterprises. One example is a manufacturer that specialises in recycling contaminated plastic waste to produce street and garden furniture. The company was established some years ago with the aid of European funding and employs people with learning disabilities. As a social enterprise that diverts plastic waste from landfill into useful products, it meets all the council targets on sustainability. At a turnover of around £1,000 a year this example is on a small scale, but this need not be the case. A London borough (LB2) recently awarded its waste and recycling contract to a social enterprise, which started out some twenty years ago as a provider of community transport services and then expanded into recycling. It now offers recycling services to a number of London boroughs:

Refuse and recycling is the biggest contract we have ever signed as a council, and that underlines our confidence in going down that kind of route.

At a value of £10 million a year for up to 21 years the waste and recycling contract is probably the biggest contract that has ever been awarded to a social enterprise in the UK, which indicates that social enterprises can take on such large, complex contracts. At the same time, however, procurement managers were adamant that local companies, voluntary sector organisations or social enterprises cannot rely on their special status. The procurement manager of a London borough (LB1) is adamant:

We always come from the standpoint that these companies should be competing effectively. We should be helping them to compete, but they need to compete.

Another social aspect of sustainability that concerns procurement is the certification of local authorities to FairTrade status. To achieve this status, the FairTrade Foundation has set out a number of conditions (FairTrade Foundation, 2002). The local authority's executive committee must pass a resolution that the authority should seek such certification. The council must agree to serve FairTrade tea and coffee during its meetings and promote FairTrade products across the council, getting a number of restaurants, cafes and supermarkets to sell FairTrade products. These should then be compiled in a FairTrade directory of where in the area FairTrade products are on sale. In London alone seven boroughs have achieved FairTrade status. It is one of the aims of the Mayor of London, Ken

Livingstone, to achieve FairTrade status for London as a whole, for which 16 of the 33 boroughs need to achieve that status.

As was the case with environmental issues, local government authorities also reported a range of initiatives to address the social side of sustainable development. It became evident that many procurement managers take a holistic view of their role by considering the effects their spending decisions can have on local companies. A number of tools have been developed to support in particular SMEs to gain council business. These range from improved information on upcoming council contracts that is displayed in the council webpage through consultancy services for local companies to better enable them to win council business, in one case even provided on a one-to-one basis, to agreements with large contractors to place small companies in their supply chains as subcontractors.

At the same time the range of contracting organisations has widened too (see also Bovaird, 2006). The provision of many services is now undertaken by a combination of in-house provision, commercial providers as well as social enterprises and voluntary sector organisations. The latter pose new challenges for procurement, as their often lower levels of professionalisation mean that procurement managers may have to undertake greater efforts to support these organisations through the length of the contract. However, this does not have to be the case, as some social enterprises have accumulated considerable expertise and are even able to handle multi-million pound contracts. Finally, a growing number of local government authorities have signed up to the principles of the FairTrade Foundation and agreed to purchase fairly traded products for their internal consumption as well as promoting them in their areas. These initiatives illustrate once more the regional dimension local government procurement can bring to sustainable development.

### **Areas for further improvement**

Despite the range of initiatives that address both the environmental and social sides of sustainability, significant areas for future work remain. These fall into two categories. First, there are considerable differences between authorities. The above examples mainly come from 'best practice' authorities, which means that many in the country lag behind these. Secondly, there are issues that apply to local government in general, i.e. they apply to most of the leading authorities as well as the less committed ones.

Differences in emphasis on sustainability in procurement are clearly visible between local authorities. The procurement manager of a district council in the South East of England (DC2) describes his experience as follows:

The concept of supporting local businesses hasn't really taken great hold. Surprisingly the Members don't seem to have come up with that as a high policy agenda for us. I suppose, in part it is because it is a fairly healthy local economy, so therefore it is not such a priority area. ... and also a lot of the businesses are big national and international ones.

A similar picture of differences between local authorities emerges in a London borough (LB1):

We are a Borough which is relatively wealthy. ... So the priority in that area [i.e. supporting SMEs] is inevitably politically lower. There are also typically fewer issues around the promotion of ethnic minorities in the Borough, because there is a fairly small footprint again. Within some Boroughs one of the things is your spend within the Borough, local SMEs and the like. ... Here the profile of businesses in this Borough is quite different again to most London Boroughs in that there is very little manufacturing for instance, very little local supply. ... Although it's an issue, I wouldn't say that it is promoted to any great extent.

Thus variation in the degree to which local government takes up the sustainability challenge in procurement can partly be explained by differences in the make-up of the local population and the industry structure of a local authority, which in some cases will be more suitable to supplying local government than in others. Since local politicians inevitably respond to such factors, differences in the approach to sustainability should be expected. In fact, it is part of the rationale for local government to respond to such local characteristics. Nonetheless, local priorities are not an argument for local government to remain inactive in terms of sustainable development.

A second group of issues are of an overarching nature and apply to most authorities. This begins with a lack of strategic direction on sustainability issues in many authorities. This is evident in the following statement from a district council procurement manager (DC2):

The one thing that strikes me about the way we go about it is that there is no strategic overview taken of what our environmental impacts are. Which to me is a fundamental starting point for any environmental strategy or sustainability strategy. What are our biggest impacts? We don't know. Until we do an environmental audit, we're messing about at the sidelines.

Developing a strategic direction requires the collection of sustainability-related information of suppliers. Some local authorities are making progress in this area by measuring their spend with local SMEs. For example, a London borough (LB3) recently started calculating what share of its expenditure was going to SMEs. The council was pleasantly surprised to find that 68% of its expenditure, in value terms, is spent with SMEs of up to 250 employees, while spending with small companies of less than 50 employees amounts to 18%. By contrast, the systematic collection of environmental supplier information is rare. Depending on the nature of the contract that is to be negotiated, environmental information may be collected for some contracts, for example in the case of contractors for infrastructure projects. Where such information is collected, councils often reported a lack of resources to evaluate these (LB5):

We have a questionnaire that goes out and that comes back [but] I wouldn't say that we monitor the data. For example, I couldn't tell you if our tenders in 2003 had had ISO 14001 and if that had gone up in 2006.

It is furthermore noticeable that progress towards sustainability is often patchy. Many local authorities have undertaken considerable effort to address individual aspects, but an outstanding performance over both the environmental and social sides of sustainability is rare. In part, this may be a matter of resources, as some of the outstanding initiatives were

achieved with the help of additional external funding, such as the project to support SMEs at one London borough (LB3). During the course of the project, the council was able to give consultancy advice to several hundred local companies. Once funding from the European Regional Development Fund had come to an end, however, this level of commitment could not be maintained.

Last but not least, one cannot fail but notice the role of cost in sustainability initiatives. Some environmental initiatives offer both efficiency and environmental gains, such as stipulating energy savings in IT equipment contracts. Procurement managers demonstrate an increasingly sophisticated approach to such 'win-win' cases, for example by pointing to life-cycle costs in contrast to purchase price. Hence they are able to justify the purchase of equipment that may initially cost more but has lower energy consumption, waste disposal or maintenance requirements over its life-time and thus a lower environmental impact too. Beyond these low-hanging fruit, however, only very few authorities are prepared to pay a surcharge for sustainability. This is largely a reflection of the central government efficiency agenda that requires local government to make annual savings of 2.5% in its expenditure (HM Treasury 2004). In other words, there are tight financial limits to sustainability initiatives in local government buying in the United Kingdom. This is bound to have repercussions on the hypothesised role of government buying to push sustainability innovation and create markets for environmentally friendlier products.

## **Conclusions**

This paper sought to establish to what extent local government authorities in the United Kingdom utilise their procurement function to foster sustainable development. Local government was indeed found to undertake a range of initiatives in this area, which is further proof of the huge importance government buying can have in terms of promoting sustainable development. On the environmental side, local authorities seek to replace some hazardous materials in the products and services they procure with environmentally friendlier alternatives. They also provide environmental information through environmental policies or sustainability sections in their procurement handbooks. Some councils furthermore underwent certification to an environmental management standard to demonstrate their environmental commitment.

On the social side of sustainability, local government demonstrates support for local companies, in particular for local SMEs. This is achieved by encouraging primary suppliers to make use of local SMEs as their subcontractors, which one procurement manager with a background in manufacturing likened to a local content rule. Similarly some authorities use community benefit clauses to encourage large contractors to provide apprenticeships for local residents. Local government procurement is also working with a wider range of service providers than has previously been the case, such as social enterprises and voluntary organisations. Some of these are experienced enough to cope with multi-million pound contracts, but other cases require new management skills of local government procurement.

Overall, however, progress towards sustainability in procurement remains patchy. There are considerable differences between individual local authorities and often also differences between one authority's performance on the environmental versus the social side of sustainability. Since the work of local government is, at least partly, a reflection of local

conditions, such differences are to an extent unavoidable. For example, one local authority reported little activity on working with local SMEs, because the local industry structure is dominated by large national and international companies. There are, however, also some over-arching gaps that seemingly apply independently of local priorities. Among these, a lack of a strategic approach to sustainability was particularly noteworthy. Last but not least, sustainability initiatives carry cost implications, at least once procurement moves beyond the initial 'win-win' cases. These financial constraints were found to set tight limits for sustainability initiatives in local government procurement.

This study shares the usual limitations that apply to qualitative studies undertaken by a single researcher. Nonetheless, a number of recommendations can be made. An important step, in particular for local authorities that are relatively new to addressing sustainability, would seem to develop a strategic direction and to document this in its environmental policy statement and procurement handbook. Given the fragmentation of local government buying, such a strategy would also give direction to those buyers who work in the decentralised departments beyond the central procurement unit. Local government could also explore opportunities for collaboration with other organisations, whether neighbouring authorities, other layers of government or providers of services, such as bus companies providing local transportation. An example of such collaboration is the 'Quick-win' website by the Office of Government Commerce. Set up as a purchasing body for central government, it has no formal remit over local government, but individual authorities can become party to the contracts the OGC negotiates. Finally, a more international outlook would enable local government to learn from the experience of procurement in other OECD countries.

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